

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 RSR-01

ACDA-19 NIC-01 GAC-01 PM-09 DODE-00 PRS-01 SCEM-02

FPC-01 INT-08 MBFR-03 IO-12 /192 W
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R 251515 Z APR 73

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 8325

C O N F I D E N T I A L MOSCOW 4704

E. O. 11652: GDS

TAGS: PFOR, EGEN, UR

SUBJ: SOVIET ECONOMIST DISCUSSES DIFFERENCES OVER ECONOMIC
POLICY

1. SUMMARY: RECENT LUNCHEON PROVIDED OPPORTUNITY TO DISCUSS ECONOMIC REORGANIZATION MEASURES WITH DEPUTY CHIEF USA INSITUTE SHERSHNEV, FORMER COMMERCIAL COUNSELOR IN WASHINGTON. HIS REMARKS TENDED TO CONFIRM EMBASSY' S IMPRES- SION, REPORTED IN PREVIOUS MESSAGES, THAT THERE IS CONSIDER- ABLY MORE DISAGREEMENT OVER HOW TO MODERNIZE SOVIET ECONOMY, AND RESIDUAL SKEPTICISM ABOUT US- SOVIET RELATIONS THAN IS APPARENT ON THE SURFACE. TO JUDGE BY SHERSHNEV' S ATTITUDE, HOWEVER, STEPS TO IMPROVE RELATIONS WITH U. S. ARE CREATING CERTAIN MOOD OF EUPHORIA AMONG SOME " AMERICANISTS." END SUMMARY.

2. ASKED WHETHER AMERICAN BUSINESSMEN WILL HAVE OPPORTUNITY TO DEAL MORE DIRECTLY WITH THEIR SOVIET CUSTOMERS, SHERSHNEV REFERRED TO THE GREAT IMPORTANCE OF RECENT INDUSTRIAL REOGANIZATION MEASURES WHICH REMOVED THE " MAIN ADMINISTRA- TIONS" (GLAVKI) AS A BUREAUCRATIC LAYER IN THE MINISTRIES.
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IN THE FUTURE, HE SAID, HE EXPECTS THAT BUSINESSMEN WILL BE ABLE TO DEAL WITH THE MINISTRY AND "AMALGAMATIONS" (OBYEDINYENIYE) DIRECTLY CONCERNED FOR THE PRODUCT RATHER THAN HAVING TO OPERATE THROUGH THE MINISTRY OF FOREIGN TRADE. ASKED WHETHER "AMALGAMATIONS" MIGHT EVEN BE PERMITTED TO MAKE CONTRACTS WITH WESTERN BUSINESSMEN DIRECTLY, SHERSHNEV EXPRESSED "PERSONAL VIEW" THAT THIS IS ALSO ONLY A MATTER OF TIME. AUTHORITY TO MAKE CONTRACTS INVOLVING THE PURCHASE AND SALE OF PRODUCTS WILL NOT BE GIVEN TO EVERY "AMALGAMATION," HOWEVER, ONLY TO ENORMOUS ECOMPLEXES LIKE KAMA RIVER PROJECT. THE ONLY THING THAT MAKES SENSE, SHERSHNEV SAID, IS TO LET THOSE WHO ARE DIRECTLY ACQUAINTED WITH PRODUCTS DEAL DIRECTLY WITH EACH OTHER.

3. ASKED WHETHER THIS APPROACH IS NOT CAUSING SOME UNHAPPINESS, SHERSHNEV SAID THAT, OF COURSE, IT IS. THE MINISTRY OF FOREIGN TRADE DOES NOT WANT TO GIVE UP ITS AUTHORITY (SEE LAST PARA MOSCOW 4462). THE DEBATE CONTINUES, HE SAID, WITH THE MFT, COMMITTEE OF SCIENCE AND TECHNOLOGY AND RESPONSIBLE MINISTRIES ALL ARGUING THAT THEY SHOULD BE THE ONES TO DEAL WITH THE FOREIGN BUSINESSMEN. JUST AS THE PRESIDENT DRECENTLY MADE AN UNPOPULAR DECISION IN DROPPING THE IMPORT CONTROLS ON OIL BECAUSE IT WAS NECESSARY, SO THE SOVIET LEADERSHIP IS NOW COMPELLED TO MAKE RADICAL DECISIONS WHICH ARE NOT ALWAYS POPULAR. SHERSHNEV REITERATED THIS POINT ABOUT HAVING TO MAKE UNPOPULAR DECISIONS WHEN ASKED ABOUT APPARENT DIFFERENCE OF OPINION CONCERNING THE PERMANENCE OF UNION REPUBLIC BOUNDARIES WHICH DIVIDE A NATURAL ECONOMIC AMALGAMATION AREA. HE AVOIDED A DIRECT REPLY, BUT IMPLIED THAT, IN CASE OF DISPUTE, THE DECISION WILL BE MADE ON THE GROUNDS OF ECONOMIC RATIONALITY.

4. ECONOMICS DO NOT, HOWEVER, ALWAYS TAKE PRIORITY. SHERSHNEV ILLUSTRATED THIS POINT BY COMMENTING ON BYELORUSSIAN FIRST SECRETARY MASHEROB'S RATHER SURPRISING STATEMENT OF FEBRUARY REPUBLIC PARTY PLENUM THAT 40 ENTERPRISES IN HIS REPUBLIC OPERATE TODAY ON THE "SHCHEKINO METHOD" (PERMITTING DIRETOR TO FIRE EXCESS WORKERS) AND HIS CRITICISM THAT MINISTRIES "ARE CONTINUING THEIR TRADINESS IN SWITCHING ENTERPRISES TO (THIS) NEW-STYLE OPERATION." HE ACKNOWLEDGED THAT THERE IS OPPOSITION TO THIS ECONOMICALLY RATIONAL REFORM.

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THE PARTY INSISTS, HE SAID, THAT ECONOMIC SOLUTIONS CANNOT BE PERMITTED TO CREATE SOCIAL PROBLEMS, IN THIS CASE UNEMPLOYMENT.

5. SHERSHNEV COMMENTED THAT THE POLICY OF IMPROVED ECONOMIC RELATIONS WITH U. S. IS NOT WITHOUT ITS CRITICS (AGAIN SUBSTANTIATING EMBASSY IMPRESSION). TRADE IS COMPLICATED BY

FACT U. S. IS ONE OF FEW LARGE COUNTRIES IN WORLD WITH WHICH USSR DOES NOT HAVE A GENERAL IMPORT- EXPORT AGREEMENT. SHERSHNEV STILL HAS TO ARGUE WITH FORMER COLLEAGUES IN MFT WHO QUESTIONS VALUE OF PUSHING FOR TRADE WITH U. S. WHERE PRICES ARE OFTEN HIGH AND MARKETS DIFFICULT. THEY POINT TO ESTABLISHED TRADE LINKS WITH, E. G. JAPAN, GERMANY FROM WHOM MOST THINGS USSR NEEDS CAN BE PURCHASED. THESE OFFICIALS DO NOT UNDERSTAND, SHERSHNEV SAID, WHAT MANY AMERICANS ALSO DO NOT UNDERSTAND: THAT MAIN IMPORTANCE OF TRADE RELATIONS BETWEEN OUR TWO COUNTRIES AND LARGE DEALS LIKE LNG, IS THEIR CONTRIBUTION TO STABLE POLITICAL RELATIONS. TRADE WITH U. S. WILL FIGURE IN FUTURE SOVIET PLANS, AND USSR IS GEARING UP FOR THE AMERICAN MARKET.

6. SHERSHNEV EXPLAINED THAT HE LECTURES REGULARLY AT FACTORIES AROUND MOSCOW ON US- SOVIET RELATIONS. HE OFTEN FEELS, HE SAYS, THAT HE IS SIMPLY NOT BEING UNDERSTOOD. AFTER EXPLAINING REASONS WHY IMPROVED RELATIONS AND TRADE ARE IN MUTUAL INTEREST, HE GETS FOLLOWING SORT OF QUESTIONS: " WHAT YOU HAVE SAID IS VERY INTERESTING BUT DO YOU REALLY BELIEVE THAT? WE KNOW AMERICAN PEOPLE IS AS GOOD AS ANY OTHER BUT WHAT ABOUT THEIR IMPERIALIST GOVERNMENT -- HOW CAN YOU TRUST IT?" SHERSHNEV RECALLED HOW GROMYKO' S STATEMENT ON JULY 10, 1969, THAT THE USSR WAS PREPARED TO HAVE "... EVEN FRIENDLY" RELATIONS WITH U. S. CAUSED SHOCK AT THE TIME EVEN IN SOPHISTICATED CIRCLES IN USSR. AS GRADUATE OF AVIATION INSTITUTE, HE WAS ASKED IN ASTONISHMENT BY OLD FRIENDS THERE HOW GROMYKO COULD SAY SUCH A THING. THE ONLY WAY TO HAVE GOOD RELATIONS WITH U. S., THEY ARGUED, WAS TO BE STRONG.

7. WHEN EMBOFF REMARKED ON UNUSUALLY GOOD PRESS WHICH U. S. HAS RECEIVED RECENTLY IN USSR, NOTWITHSTANDING APPARENT RESERVATIONS OF SOME PEOPLE, SHERSHNEV PREDICATED: " THIS IS ONLY THE BEGINNING." HE SPECULATED THAT IMPROVEMENT IN
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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 25 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MOSCOW04704
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GDS
Errors: CORE6
Film Number: n/a
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730451/aaaaiwx.tel
Line Count: 154
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 29 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26-Sep-2001 by smithrj>; RELEASED <29-Nov-2001 by morefirh>; APPROVED <30-Nov-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980202
Subject: SOVIET ECONOMIST DISCUSSES DIFFERENCES OVER ECONOMIC POLICY
TAGS: EGEN, PFOR, UR
To: EUR
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005